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# THE UNITED STATES' OPPORTUNITY TO INCREASE ITS FOREIGN TRADE WITH SOUTH AMERICA

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Trade opportunities in South America are now before the public of the United States. Much has been said about them by the departments of the government, chambers of commerce and commercial trade conventions throughout the country. To appreciate exactly the practical side of these opportunities, it is desirable to start with the fundamental conditions governing the development of such trade or business. To do this it is desirable to divide the business under several captions: first, financial operations and permanent investments; second, enterprises that pertain to the development of the growing countries of South America, such as public service corporations, railways, the construction of manufacturing plants in the countries themselves, companies for colonization and industrial development and mining operations; third, the movement of competitive products, such as grains, wool, meat, coffee and other natural products of the countries; fourth, the export of our manufactures.

In entering any one of the above fields, it is desirable to decide whether the entry is to be on a permanent basis, qualified to meet local conditions and competition at the foreign points as may arise from time to time, or whether the opportunity is only desired when the market is a profitable one as compared to our domestic market or other world markets that may be more favorable.

Reverting to the question of finance, it would be of great assistance to the trade as a whole if American banks could be established in all the principal centers of South America, with their own organizations on the spot eager to promote American business and interested in its success and development. These banks would have not only the opportunity of financing the general banking business of merchandise and travelers, but would also unquestionably have the opportunity of backing promotive enterprises, if money could be obtained in the United States at a competitive rate of interest as

against the banking centers of Europe, such as London, Paris and Berlin. These centers have in the past furnished most of the money for South American developments and, as compared to the United States, they have always been able to procure and supply this money at a lower rate than its equivalent value in our own markets. Whether the war will change this condition is problematical, but on this question lies largely the extent and character of the development of our own identification with the growth of South American interests. It is to be hoped, if our banks enter this field seriously, that they will look at the matter in the broad term of years and not of daily fluctuation of interest values.

If the United States should invest several hundred millions in South American enterprises promoted by this country and with the securities marketed through our own stock exchanges, the personal interest of the people of the United States would be largely increased in the results of South American business; and, incidentally, because of these promotions a great many people from this country would be called to active participation and to take up their residences abroad. American communities would promote the extension of business in a much wider field and the personal contact would lead the merchants and governments of South America to look to the United States for support in their development and would give us the backbone and strength of a much broadened business opportunity in South America.

To accomplish the success of these enterprises, to establish confidence and to give security to the investors, our home government would be called upon to adopt a policy of coöperation and security that up to the present has not been one of the recognized policies of the government. Capital and investors can hardly be expected to place their money at such a distance and beyond the regulation of our own laws, without some assurance or pledge from our own government that the international relationships and obligations will be safeguarded. It is unquestionable that the European countries now at war will for a number of years at least have much less capital to spare for investment in foreign countries than they have had in the past. Our largest opportunity, therefore, is in this field of development.

The movement of raw materials, such as crops, agricultural products, minerals and foodstuffs, will all take a natural course of

supply and demand and need hardly come under the head of business opportunities. As our own country becomes more thickly settled and our wants increase and supplies shorten, we shall have to look to the large area in South America to supply us more and more with a share of foodstuffs. The supplies from the cattle ranches in South America are today easier and more cheaply marketed on our seaboard than our own supplies from the far west. These conditions will become a question of route and territory definition. I feel that the large users of raw material, whether in our food consumption or in our manufactures, will arrange to supply their demands and needs from the cheapest source and that the development of this class of trade will, as I have said, be one of natural supply and demand, governed chiefly by natural conditions.

We now come to probably the most detailed and interesting opportunity of all, that pertaining to manufactures. If we include in this class the large manufacturers of steel products, rolling stock, machinery for power plants, mines, etc., the volume of this business will feel very decidedly the growth of the American financial and promotive interests in South America. In actual competition with Europe today these trades are often handicapped by the large purchasing companies owned and controlled by foreign capital who naturally prefer to place their orders where their personal interests lie. But our larger manufacturers have studied the world fields very carefully; they know the quality and value of their goods. If they are able to supply a superior article at a relatively lower price, they are able to seek the orders and to establish a connection through the purchasing departments of these active companies.

As regards the smaller manufacturers who cater to the individual wants of the people, there is, of course, with the shutting off of the European markets, a great opportunity to introduce American articles. But, as I have stated earlier, it is a mistake for any of these manufacturers to enter the South American markets just on the spur of the moment and with the knowledge that they cannot compete with similar goods from Europe after the war is over. This class of business must only exist and reap its profits during the unusual conditions that prevail today. Should the United States manufacturer desire to open a permanent connection in South America and, having taken advantage of the present opportunity

to introduce his goods successfully, decide to hold his market and fight for the trade later, irrespective of the possible temptation of a rising market in the United States, he will have to look at conditions for a period of years and set aside, if in his judgment he can do so profitably, a certain proportion of his output to go to customers he has secured in South America and be prepared to fight any competition that may develop later. This class of goods is being introduced today throughout all of South America through established commission houses, through whom the inquiries come from South America expressing the want that is there for goods that were previously supplied by other countries. Such orders can be marketed through a permanent connection of middlemen, such as the commission houses. If the manufacturer has sufficient business to warrant the dispatch of special salesmen and the establishment of his own organization abroad, the present is particularly a golden opportunity. The population of South America have a great many needs that imports only can supply. Exactly what their buying power will be with the general readjustment that must necessarily follow the war, is problematical. But the fact remains that the volume of this trade must necessarily continue to be large.

The war conditions affect different portions of South America differently. Those sections of the country that have produced articles, the consumption of which has been curtailed by the war, are suffering a financial stringency and are in the same condition as are the cotton growers in this country. Other sections of South America that have produced the foodstuffs and articles that are now in great demand are benefiting greatly by the enhanced prices, the same as our wheat, wool and provision suppliers of this country. Other sections of South America from which the exports have been comparatively small and the imports largely of a personal character are practically unchanged in their general condition by the present war conditions.

In the development of all business with South America the usual acumen, care and close study of conditions are essential to success. It must also be recognized that where merchants enter new fields they have to consider carefully the conditions of trade and commerce and the customs that exist in those fields and arrive at a happy compromise between their own ideas and the ideas of

the purchaser, if such ideas at the start are at variance. In other words, the success of any trade depends upon both the buyer and the seller being mutually protected and mutually satisfied to go ahead. If the personal intercourse between the people of the United States and the people of South America could be increased, it would be of great advantage to the mutual development of business. South American merchants should be induced to visit the United States, meet the manufacturers and sellers of our goods and exchange information and views. In turn about, American merchants, where possible, should get a personal touch with the South American markets and a personal grasp of their conditions and requirements and opportunities.

The vital question is the seriousness with which the merchants of the United States consider the present opportunities in South America and whether they consider them worth while as a permanent connection. If so, no merchant in the United States needs to be told in detail how to go about getting the business. I take it for granted that every successful merchant knows that the way to get business is to get it.